



**TAX RATE ANALYSIS
Fiscal Year 2022**

**Report of the
Saugus Board of Assessors**

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To

Saugus Board of Selectmen

Public Hearing

December 7, 2021

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Purpose

The purpose of the (public) classification hearing is for the Board of Selectmen to determine the allocation of the local property tax to be borne by the four classes of real property and (Class five) personal property for Fiscal Year 2022. In deciding the allocation, the Selectmen must adopt a residential factor. The residential factor is used to determine the percentage of the tax levy that is applied to each class of real and personal property. The Board of Assessors applies these percentages to the individual property classes (M.G.L. Chapter 40, section 56).

It is the responsibility of the Assessors to provide the Selectmen with relevant information, and to discuss the fiscal effects of possible alternatives.

I. Total Assessed Values for Fiscal Year 2021

The Board of Assessors must determine the classification of all real property as of January 1, 2021, for FY 2022, in accordance with the definitions set forth in M.G.L. Chapter 59, section 2A (b):

Class One	Residential
Class Two	Open Space
Class Three	Commercial
Class Four	Industrial
Class Five	Personal Property

The usage codes are issued in accordance with the Department of Revenue, Bureau of Local Assessment guidelines.

Some salient facts about FY 2022

A. Interim Year Adjustments

Per the Department of Revenue's guidelines, the assessing cycle requires that all parcels in Saugus, exempt and taxable, be visited every 10 years. Values are to be determined every year. The Department of Revenue recertifies values and audits the operations of the Assessors' office every five years. FY 2018 was our last recertification year. Next certification year will be FY 2023. Changes to valuation tables in the years between recertification years are called "interim years." FY 2022 is an interim year.

B. New Growth

The new growth has slightly decreased from last year for residential, commercial and personal property classes. See next page for new growth information and

comparison. The new growth relevant to FY 2022 was distributed among residential and CIP properties as follows:

	<u>Value</u>	<u>Levy Limit Adjustment</u>	<u>% of Total New Growth</u>
Residential	\$19,788,804	\$244,194	47%
CIP	\$23,407,866	\$602,518	53%
TOTAL	<u>\$43,196,670</u>	<u>\$846,712</u>	<u>100%</u>

New Growth Comparison:

Year	New Growth
2021	\$1,146,652
2020	\$1,439,524
2019	\$862,574
2018	\$792,016
2017	\$744,103

C. Total Taxable Value

The total taxable value for FY 2022 is \$5,664,909,967.

Overall, the Residential/Open Space (R/O) portion is 83% of the total value and the Commercial/Industrial/Personal Property (C/I/P) portion is 17%. The FY 2021 percentages were the same 83% and 17% respectively.

II. Tax Levy

The Levy Limit is calculated as follows:

FY21 Levy Limit	\$70,854,683.00
Amended Growth from LA-13A	\$12,512.00
2 ½% allowed increase	\$1,771,680.00
New Growth (<i>form LA-13</i>)	<u>\$846,712.00</u>

TOTAL (*before debt exclusion and override*) \$73,485,587.00

DEBT EXCLUSION FY2022	\$7,046,968.00
<i>(Principal and interest due on debt Authorized to be repaid from taxation above the levy limit)</i>	
OVERRIDE	\$0.00
MAXIMUM PERMITTED LEVY	<u>\$80,532,555.00</u>
FY2022 PROPERTY TAX LEVY	\$80,509,366.68

Unused Levy Limit (Excess Levy Capacity) \$21,188.32

IMPORTANT TERMS

TERM	DEFINITION
Levy	The property tax levy is the revenue a community can raise through real and personal property taxes.
Levy Limit	The maximum a community can levy in a given year equal to last year's levy plus 2.5% plus new growth plus override / exclusion if applicable.
Levy Ceiling	Equal to 2.5% of the total full and fair cash value of all taxable real and personal property in the community.
New Growth	Increase in the tax base due to new construction, parcel subdivisions, condominium conversions and property renovations but not due to revaluation. It is calculated by multiplying the increased assessed valuation by the prior year's tax rate for the appropriate class of property.
Override	A permanent increase to a community's levy limit.
Override Capacity	The difference between a community's levy ceiling and its levy limit. It is the maximum amount by which a community may override its levy limit.
Debt Exclusion	A temporary increase over the levy limit for the payment of a specific debt service item over a specific period of time.
Capital Outlay Expenditure	A temporary exclusion for the purpose of raising funds for capital project costs.
Excess Levy Capacity	The difference between the actual levy and the levy limit.

Levy Limit
Fiscal Year 2022

FOR BUDGET PLANNING PURPOSES

I. TO CALCULATE THE FY 2021 LEVY LIMIT

A. FY 2020 Levy Limit	68,007,835	
A1. Amended FY 2020 Growth	0	
B. ADD (IA + IA1)*2.5%	1,700,196	
C. ADD FY 2021 New Growth	1,146,652	
C1. ADD FY 2021 New Growth Adjustment	0	
D. ADD FY 2021 Override	0	
E. FY 2021 Subtotal	<u>70,854,683</u>	
F. FY 2021 Levy Ceiling	131,400,387	I. <u>70,854,683</u> FY 2021 Levy Limit

II. TO CALCULATE THE FY 2022 LEVY LIMIT

A. FY 2021 Levy Limit from I	70,854,683	
A1. Amended FY 2021 Growth	12,512	
B. ADD (IIA + IIA1)*2.5%	1,771,680	
C. ADD FY 2022 New Growth	846,712	
C1. ADD FY 2022 New Growth Adjustment	0	
D. ADD FY 2022 Override	0	
E. ADD FY 2022 Subtotal	<u>73,485,587</u>	
F. FY 2022 Levy Ceiling	141,622,749	II. <u>73,485,587</u> FY 2022 Levy Limit

III. TO CALCULATE THE FY 2022 MAXIMUM ALLOWABLE LEVY

A. FY 2022 Levy Limit from II.	73,485,587
B. FY 2022 Debt Exclusion(s)	7,046,968
C. FY 2022 Capital Expenditure Exclusion(s)	0
D. FY 2022 Stabilization Fund Override	0
E. FY 2022 Other Adjustment :	0
F. FY 2022 Water/Sewer	0
G. FY 2022 Maximum Allowable Levy	<u>80,532,555</u>

Signatures

Board of Assessors

Ron Keohan, Interim Deputy Assessor , Saugus , rkeohan@saugus-ma.gov 781-231-4130 | 11/15/2021 3:10 PM

Documents

No documents have been uploaded.

III. Board of Selectmen – OPTIONS

This hearing will allow the Board of Selectmen to consider the following options that will be explained further along in this presentation handbook. The decision of the Board must be submitted to the Department of Revenue on form LA-5.

THE OPTIONS PRESENTED FOR CONSIDERATION ARE:

- (A) Selection of a Residential Factor.
- (B) Granting of a Residential Exemption.
- (C) Granting of a Small Commercial Exemption.
- (D) Selection of an Open Space Discount.
- (E) Selection of a Minimal Residential Factor.

(A) RESIDENTIAL FACTOR:

The Board of Selectmen has the option of selecting a “factor 1” which in effect, would adopt a “Single or Uniform Tax Rate” for all residential, commercial, industrial and personal property classes instead of shifting some of the tax burden off the residential classes and onto the CIP classes. If “factor 1” was adopted for FY2021, the uniform tax rate would be \$14.71, without shifting the rate.

(B) RESIDENTIAL EXEMPTION:

The Board of Selectmen may adopt an exemption of up to 20% to shift the Residential Class tax burden from lower assessed properties that are the principal residence of a taxpayer to higher assessed properties and properties that are not the principal residence of a taxpayer. Since most residential properties in Saugus are owner occupied, scenario would be:

Without Exemption after maximum shift:

FY22 Single Family Home Assessed at \$492,100 X (\$12.01/1,000) = **\$5,910.12 Yearly Taxes**

Examples:

ASSESSED VALUE	\$317,754	\$467,754	\$617,754
TAX RATE W/OUT EXEMPT	\$12.01	\$12.01	\$12.01
TAXES PAID	\$3,816.23	\$5,617.73	\$7,419.23

TAX RATE W/10% EXEMPT	\$13.62	\$13.62	\$13.62
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The Board of Assessors has consistently recommended that a residential exemption **NOT BE ADOPTED**. It is true some properties would receive tax relief through the adoption of this measure. However, since the tax levy remains the same, it will only shift the burden to properties over the median assessed value whether they are owner occupied or not.

(C) SMALL COMMERCIAL EXEMPTION:

The small business exemption was implemented in Fiscal Year 1995. The exemption was intended to give a tax benefit to certain commercial properties. The qualifications are: the real estate must be occupied on January 1st by a business that has fewer than ten employees; the total assessed property value must be less than \$1,000,000. Additionally, the property must be within the commercial (300) class. This would disqualify any mixed use properties and home businesses. The State provides to the Saugus Assessors a confidential list of companies that have fewer than ten employees generated by the State Department of Employment. The list is of businesses that are located in Saugus. There is no data shared with other towns to determine if there are other branches of the same business in another town. If a business has more than ten employees, the Assessors would not have access to that knowledge. It should be noted that this list is not a public record and that if the state did not list a business, even if it may qualify, that business would not qualify for the exemption. Any tax benefits from this exemption go to the owner of the real estate and not to the qualifying business(es). For any multi-business parcel, like a small strip mall, all the businesses must qualify or the parcel will not receive the exemption. This exemption is limited to no more than 10% of the total commercial dollars of assessed value. The cost of the tax benefits realized by any qualifying parcels are then shifted to the non-qualifying parcels within the commercial and industrial classes, but not to the personal property class. Unlike the residential exemption, the exemption is applied to the qualifying parcels as a percentage of value instead of a dollar value. For the purpose of this example, a preliminary analysis of our commercial properties based on the state's list was run. Saugus has 377 properties classified as commercial. **There are 260 qualifying parcels in Saugus. They have a full and fair market value of approximately \$114,883,600 that is 17.3% of the total commercial value.** The Department of Revenue has not been enthusiastic in recommending that communities utilize this exemption because of the many questions that have been raised about implementation which, as of yet, have not been addressed by the legislature. Adopting the small commercial exemption increases the commercial and industrial tax rates in addition to the initial shift. In addition, small businesses not on the list would see a significant increase in addition to the shift. Therefore, the Board of Assessors has consistently recommended that a Small Commercial Exemption **NOT BE ADOPTED**.

(D) OPEN SPACE DISCOUNT:

The Town of Saugus does not currently have any property classified as Open Space. However, if it did, and an Open Space Discount was adopted, the residential tax rate would then be increased thus increasing the tax burden for the residential homeowner.

(E) MINIMUM RESIDENTIAL FACTOR:

In accordance with the provisions of MGL Chapter 200, the Board of Selectmen can choose to shift the Town's tax burden from the Residential class to the Commercial, Industrial and Personal Property classes as long as the shift does not exceed the Minimum Residential Factor. This means the burden cannot be shifted more than 175%. The FY2021 Minimum Residential Factor is anticipated at 0.838936, pending D.O.R. approval.

Below and on the next page are Exhibits A, B and C which are charts with examples of neighboring communities: Tax Rates, Shifts, Average Single Family Assessed Values and Average Single Family Tax Bills from the previous year.

EXHIBIT A
FISCAL YEAR 2021
COMPARABLE TAX RATES

COMMUNITY	RESIDENTIAL TAX RATE	CIP TAX RATE
SAUGUS (FY21)	\$12.34	\$25.74
LYNNFIELD (FY21)	\$13.27	\$19.29
MELROSE (FY21)	\$10.95	\$18.69
READING (FY21)	\$13.81	\$14.06
STONEHAM (FY21)	\$10.82	\$20.50
WAKEFIELD (FY21)	\$12.73	\$24.67

EXHIBIT B
FISCAL YEAR 2021
TAX SHIFT

COMMUNITY	MAXIMUM ALLOWABLE SHIFT	FY 2021 ACTUAL SHIFT	% OF TAX BASE RES	% OF TAX BASE CIP
SAUGUS (FY20)	175.00%	175.00%	81.62%	18.38%
LYNNFIELD (FY20)	150.00%	131.00%	85.79%	14.21%
MELROSE (FY20)	175.00%	165.00%	95.30%	4.70%
READING (FY20)	150.00%	102.00%	92.64%	7.36%
STONEHAM (FY20)	175.00%	175.00%	90.48%	9.52%
WAKEFIELD (FY20)	175.00%	175.00%	87.90%	12.10%

EXHIBIT C
FISCAL YEAR 2021
AVG. SINGLE FAM. VALUE AND
AVERAGE SINGLE FAMILY TAX BILL

COMMUNITY	FISCAL YEAR	AVERAGE SINGLE FAMILY VALUE	AVERAGE SINGLE FAMILY TAX BILL
SAUGUS	2021	\$467,754	\$5,772
LYNNFIELD	2021	\$699,580	\$9,283
MELROSE	2021	\$657,097	\$7,195
READING	2021	\$657,312	\$9,077
STONEHAM	2021	\$565,130	\$6,114
WAKEFIELD	2021	\$588,200	\$7,488

EXHIBIT C CONT'D
SAUGUS RESIDENTIAL AND COMMERCIAL
AVG. VALUE AND AVG. TAX BILL
FY21 VS FY22 COMPARISON

FISCAL YEAR	CLASS	AVERAGE VALUE	AVERAGE TAX BILL	DIFFERENCE FROM PREV. FISCAL YEAR
2021	RESIDENTIAL	\$467,753	\$5,772	
2022*	RESIDENTIAL	\$509,307	\$6,117	+345 (5.6%)
2021	COMMERCIAL	\$1,698,845	\$43,728	
2022*	COMMERCIAL	\$1,728,066	\$42,992	+\$736 (-1.68%)

*Based on anticipated FY22 tax rates pending approval from the D.O.R.